COMPANY UPDATE

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BNK Financial Group (138930)

1Q review: Core earnings continue to grow

- BNK Financial Group reported a 1Q net profit of KRW211.4b, up 26.9% y-y and slightly above consensus by 1.2%. Its CET-1 ratio slipped 4bps q-q to 12.30%.
- While securities-related income fell—dragging overall earnings lower—interest income and fee income grew 3.7% and 36.3%, respectively. This solid growth in core earnings deserves attention.
- We maintain a positive view on the stock, as: 1) it trades at 0.53x 2026 P/B, offering high valuation appeal; 2) underlying earnings performance is recovering; and 3) it should continue increasing shareholder returns.

WHAT'S THE STORY?

1Q net profit hits KRW211.4b—Focus on solid growth in core earnings: BNK Financial Group (BNKFG) reported a 1Q net profit of KRW211.4b, up 26.9% y-y. While securities-related income fell by KRW39b y-y—dragging overall earnings below recurring levels—interest income and fee income grew 3.7% and 36.3% y-y, respectively. This improvement reflects stronger underlying performance and supports confidence in future earnings.

Announces quarterly dividend and share buyback—Clearly up y-y: BNKFG announced a DPS of KRW150 (up 25% y-y) and a KRW60b buyback (up 50% y-y). If it buys back another KRW80b in 2H—on top of what is already planned—its total payout ratio this year could meet guidance of mid-40% range. (Even with just KRW60b more in buybacks, it would still hit 43%.)

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW25,000	37.9%
Current price	**KRW18,130**	
Market cap	KRW5.6t/USD3.8b	
Shares (float)	310,327,033 (85.7%)	
52-week high/low	KRW22,650/KRW10,260	
Avg daily trading value (60-day)	KRW22.1b/ USD15.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
BNK Financial Group (%)	4.4	21.3	74.2
Vs Kospi (%pts)	-23.0	-33.9	-39.6

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	25,000	25,000	0.0%
2026E EPS	2,837	2,837	0.0%
2027E EPS	3,320	3,320	0.0%

SAMSUNG vs THE STREET

No of estimates	15
Target price	24,633
Recommendation	4.0

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Operating profit	283.1	37.5	367.2	8.0	-
Pre-prov op profit	470.9	(5.2)	55.1	9.4	-
Provisioning	160.4	(41.4)	(23.6)	4.9	-
Net profit	211.4	26.9	369.8	6.0	1.2
Major indicators (%, %pts)					
Loan growth	1.88	1.2	0.5		
NIM	1.88	0.0	0.1		
NPLs below subs	0.74	0.4	0.3		

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	6.1	6.4	5.5
P/B	0.5	0.5	0.5
Div yield (%)	4.6	4.5	5.2
EPS growth (% y-y)	14.0	9.5	17.0
ROE (%)	8.0	8.3	8.9
Total payout ratio (%)	40.4	45.1	49.7
Per-share data (KRW)			
EPS	2,592	2,837	3,320
BVPS	32,738	35,153	38,126
DPS	735	820	940

Restoring confidence in earnings key to accelerating valuation recovery: Although earnings in 1Q26 came in below recurring levels—just like in 1Q25—core profit growth remains solid, which is a positive sign. Improving quarterly earnings will be key to rebuilding market confidence and accelerating valuation recovery. We maintain a positive outlook, as ongoing deleveraging in real estate finance and the potential for industry cycle recovery are likely to create better conditions for future earnings improvement.

Attractive valuation—Focus on 2026 earnings normalization and increasing shareholder returns: We maintain a positive view on the stock, as: 1) it trades at 0.53x 2026 P/B, offering high valuation appeal within the banking sector; 2) underlying earnings performance is recovering; and 3) it should continue increasing shareholder returns via strong capital management.

Group interest income up—2026 target of 9% growth reaffirmed: Group interest income rose 3.7% y-y, supported by a 1.9% q-q growth in loans and a 9bps q-q improvement in group NIM. During earnings call, it reiterated its initial 2026 guidance of a 9% y-y increase in group interest income, stating its commitment to achieving this target. While 1Q results were slightly pressured by lower securities-related income, management expects gradual earnings improvement starting in 2Q.

Credit cost stabilizes lower—Pace of further improvement is key: Its credit cost declined 22bps y-y to 0.52% in 1Q, despite deterioration in asset quality indicators. It attributed the improvement in credit cost to a higher collateralization ratio of assets that went sour during the quarter. While its initial 2026 credit cost guidance was set slightly below 0.6%, it indicated during the earnings call that a gradual improvement from the 1Q peak is possible.

Asset quality indicators deteriorate—NPL fund to mitigate risk: However, group NPL and delinquency ratios climbed a respective 15bps and 28bps q-q to 1.57% and 1.42%, posing a concern. In response, the group stated it aims to bolster asset quality by offloading NPLs into an NPL fund established by provincial banks, targeting an NPL coverage ratio of over 100% for the bank and above 90% for the group by year-end.

CET-1 ratio at 12.30%—down 4bps q-q but stably under control: BNKFG's CET-1 ratio slipped 4bps q-q to 12.30% in 1Q (primarily due to a 10bps negative impact from other comprehensive income amid rising market interest rates). It aims to keep its CET-1 ratio between 12% and 12.5%. With the ratio now within that range, there is enough room to return more to shareholders.

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash & equivalents	5,818	5,646	5,946	6,262	6,595
Financial securities	26,356	27,976	29,903	31,525	33,246
Net loans & credits	112,081	119,565	122,766	128,857	135,277
Interest-earning assets	**144,256**	**154,684**	**158,615**	**166,644**	**175,118**
Fixed assets	2,127	2,151	1,461	1,542	1,627
Other assets	6,087	4,261	8,400	8,409	8,381
Total assets	**152,470**	**161,095**	**168,477**	**176,595**	**185,127**
Customer deposits	107,855	224,994	117,603	123,181	129,031
Borrowings	11,302	11,446	12,282	13,030	13,829
Debentures	14,122	16,445	17,173	18,327	19,566
Interest-bearing liabilities	**133,279**	**129,923**	**147,058**	**154,538**	**162,425**
Other liabilities	125,526	19,835	9,582	9,721	9,857
Total liabilities	**141,323**	**149,854**	**156,757**	**164,382**	**172,411**
Paid-in capital	1,630	1,630	1,630	1,630	1,630
Hybrid securities	728	498	498	498	498
Capital surplus	791	791	791	791	791
Retained earnings	7,605	8,017	8,494	8,988	9,490
Capital adjustment	(20)	(0)	(0)	(0)	(0)
Other accumulated earnings and comprehensive income	(34)	(142)	(142)	(142)	(142)
Minority interest	449	449	449	449	449
Shareholder equity	**11,148**	**11,242**	**11,719**	**12,213**	**12,715**

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Interest income	6,949	6,473	6,591	6,931	7,291
Interest expenses	(3,972)	(3,519)	(3,450)	(3,649)	(3,900)
Net interest income before provisioning	**2,977**	**2,953**	**3,141**	**3,283**	**3,392**
Provisioning for loan losses	(895)	(785)	(724)	(716)	(685)
Net interest income after provisioning	**2,082**	**2,168**	**2,417**	**2,567**	**2,707**
Fee income	220	179	214	222	231
Other non-interest income	140	244	195	252	272
Gross profit	**2,443**	**2,592**	**2,826**	**3,041**	**3,210**
G&A expenses	(1,567)	(1,690)	(1,672)	(1,733)	(1,797)
Operating profit	**876**	**903**	**1,154**	**1,308**	**1,413**
Other non-operating income	116	192	70	72	75
Pre-tax profit	**992**	**1,095**	**1,224**	**1,380**	**1,489**
Taxes	242	259	332	375	405
Net profit	**750**	**836**	**892**	**1,006**	**1,084**
Minority interest	21	21	23	25	27
Consolidated net profit	**729**	**815**	**869**	**981**	**1,057**
Pre-provisioning operating profit	1,826	1,768	1,939	2,088	2,165

Asset quality

Year-end Dec 31 (%)	2024	2025	2026E	2027E	2028E
NPL ratio (below substandard)	0.7	1.2	1.0	1.0	1.0
NPL ratio (below precautionary)	1.7	2.3	2.6	2.5	2.5
Cumulative provisioning /NPL below substandard	218.5	112.5	131.5	133.4	138.7
Cumulative provisioning /NPL below precautionary	94.5	56.4	52.4	53.1	55.2
Cumulative provisioning/credit	1.6	1.3	1.3	1.4	1.4
Net write-offs /NPL below substandard	59.7	55.9	31.8	30.5	29.0
Net write-offs/credit	0.4	0.7	0.3	0.3	0.3
Loan loss provisioning charges /total credit	0.43	0.65	0.32	0.31	0.29

Key ratios

Year-end Dec 31 (%)	2024	2025	2026E	2027E	2028E
Return on avg assets	0.8	0.9	1.0	1.0	1.1
Return on avg equity	7.5	8.0	8.3	8.9	9.2
Loan growth* (% y-y)	2.1	3.2	4.6	4.6	4.6
Deposit growth* (% y-y)	0.3	3.3	4.6	4.6	4.6
Asset growth (% y-y)	2.7	3.5	4.4	4.4	4.4
Loan/deposit ratio*	95.0	95.2	95.2	95.2	95.2
Net interest margin**	1.89	1.85	1.86	1.84	1.80
Net interest spread**	2.19	2.10	2.09	2.07	2.03
Cost-to-income ratio	47.8	49.5	46.7	45.8	46.4
BIS CAR**	14.1	15.2	15.8	15.6	15.4
Tier-1 ratio**	13.6	13.3	13.9	13.8	13.7
Tier-2 ratio**	0.6	1.9	1.9	1.8	1.7
Common Equity Capital Ratio	12.3	12.3	12.4	12.4	12.4
Equity/assets	7.3	7.0	7.0	6.9	6.9

Source: Company data, Samsung Securities estimates

Per-share data

Year-end Dec 31 (KRW)	2024	2025	2026E	2027E	2028E
EPS	2,274	2,592	2,837	3,320	3,727
BVPS	31,117	32,738	35,153	38,126	41,484
DPS	650	735	820	940	1,070
Dividend payout ratio	28.5	28.1	29.0	28.2	28.8
Total Shareholder Payout Ratio	33.0	40.4	45.1	49.7	52.5

Year-end Dec 31	Pre-prov op prof (KRWb)	Net prof (KRWb)	EPS (KRW)	Chg (%)	BVPS (KRW)	P/E (x)	P/B (x)	ROAA (%)	ROAE (%)	CET-1 Ratio (%)	Div yield (%)
2024	1,826	729	2,274	14.5	31,117	4.5	0.3	0.8	7.5	12.3	6.3
2025	1,768	815	2,592	14.0	32,738	6.1	0.5	0.9	8.0	12.3	4.6
2026E	1,939	869	2,837	9.5	35,153	6.4	0.5	1.0	8.3	12.4	4.5
2027E	2,088	981	3,320	17.0	38,126	5.5	0.5	1.0	8.9	12.4	5.2
2028E	2,165	1,057	3,727	12.3	41,484	4.9	0.4	1.1	9.2	12.4	5.9

Source: Company data, Samsung Securities estimates

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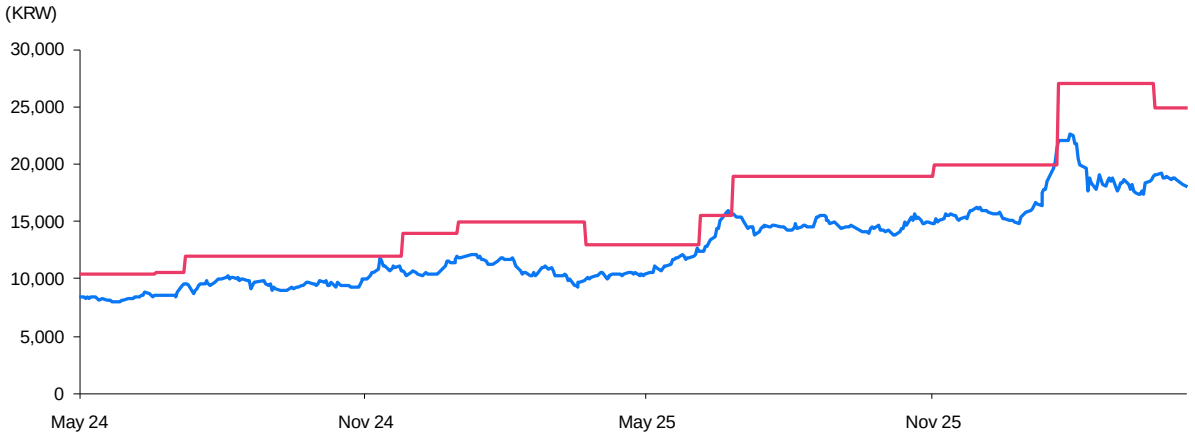

Rating changes over past two years (adjusted share prices)

Date	2024/4/15	7/12	7/31	12/18	2025/1/23	4/15	6/27	7/18	11/25	2026/2/13	4/16
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	10400	10500	12000	14000	15000	13000	15600	19000	20000	27000	25000
Gap* (average)	-19.85	-16.59	-18.16	-22.55	-27.38	-16.06	-8.05	-22.78	-19.30	-30.12	
(max or min)**	-15.38	-9.43	-1.00	-14.57	-18.93	-2.23	2.24	-17.79	7.25	-16.11	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Industry

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Percentage of ratings in 12 months prior to 2026.03.31

BUY (85.2%)·HOLD (14.8%)·SELL (0%)

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